

## CURRENT BUSINESS CREDITS

### 1) Property Investment

**Jobs and Investment Tax Credit.** The credit is based on the federal investment tax credit. The federal credit defines qualified property eligible for the credit. To qualify, the taxpayer must create at least 100 new jobs within two years and invest at least \$5,000,000 in one year. The credit is limited to the tax liability of the taxpayer or \$500,000, whichever is less. The credit cannot be carried back, but can be carried forward up to seven years.

**\*Machinery and Equipment Investment Tax Credit.** The credit is based on 1% of the original basis of all machinery and equipment placed in service in Maine in the prior five tax years. The credit excludes property placed in service after April 1, 1996. The credit is further disallowed for any year in which reimbursement is received under the BETR program. The credit cannot exceed the tax otherwise due. The credit cannot be carried back, but can be carried forward for a total of five years. The credit is allowed through tax year 2001 and carryovers are allowed through tax year 2006.

**\*Solid Waste Reduction Investment Tax Credit.** The credit is based on expenses relating to equipment used for solid waste reduction, reuse or recycling. The credit has expired; however, carry forwards of unused credit amounts are allowed through December 31, 2004.

**High-Technology Investment Tax Credit.** The credit is based on the adjusted basis of eligible equipment. The credit is limited to high-tech equipment purchased (or leased) by businesses engaged primarily in high-tech activities. The credit cannot reduce tax to an amount below the previous year's tax after credits. The credit cannot be carried back, but can be carried forward for up to five years.

**Clean Fuel Credit.** The credit is based on 50% of qualified expenditures made from January 1, 1999 to December 31, 2001 and 25% of qualified expenditures made from January 1, 2002 to December 31, 2005. Qualified expenditures are those made to construct or improve a facility in order to provide clean fuels to the general public. The credit is limited to Maine taxes associated with sales of clean fuel. The credit cannot be carried back, but can be carried forward until the entire credit is exhausted.

\*Contains a sunset clause.

### 2) Investor-Related Credit

**Maine Seed Capital Tax Credit.** The credit amount is certified by FAME. The credit is equal to 30% or 40% (depending on when investments are made and certificates are issued) of qualified investments. The credit is limited to 50% of the certified amount in the year of the investment and 50% in the following year. Also, the credit taken in any one year cannot exceed 50% of the tax otherwise due. The credit cannot be carried back, but can be carried forward up to 15 years. The credit covers both seed and venture capital investments.

### 3) Employee Investments

**Employer-Assisted Day Care Tax Credit.** The credit is based on expenses incurred by an employer to provide full-time day care to children of employees. The credit is limited to 20% of qualified expenses, but cannot exceed \$100 per full-time equivalent or \$5,000 in total. The credit cannot exceed the tax liability otherwise due. The credit can be carried back for three years and carried forward for 15 years.

**Employer-Provided Long-Term Care Benefits Credit.** The credit is based on expenses incurred by an employer for providing long-term care insurance as part of a benefits package. The credit is limited to 20% of qualified expenses, but cannot exceed \$100 per covered employee or \$5,000 in total. The credit cannot exceed the tax otherwise due. The credit cannot be carried back, but can be carried forward up to 15 years.

**Credit for Dependent Health Benefits Paid.** The credit is based on employer expenses related to providing health benefits to dependents of low-income employees. The credit is limited to 20% of qualified expenses, not to exceed \$125 per employee with covered dependents. The credit cannot exceed 50% of the taxpayer's liability. The employer must meet benefit plan availability and funding requirements. The credit cannot be carried back, but can be carried forward for up to two years.

**Quality Child Care Investment Credit.** The credit is based on expenses related to providing quality child care. The credit is limited to 30% of qualified expenses, not to exceed \$9,000. The credit cannot reduce the tax below zero, but can be carried over until exhausted.

### 4) Investment in Research & Development

**Research Expense Tax Credit.** The credit is based on a percentage of the federal Credit for Increasing Research Activities. The credit is limited to 5% of the excess qualified research expenses over the previous three-year average plus 7.5% of the basic research payments under IRC § 41(e)(1)(A). The credit is further limited to 100% of the first \$25,000 in tax liability plus 75% of the tax liability in excess of \$25,000. The credit cannot be carried back, but can be carried forward for up to 15 years.

**Super Research and Development Credit.** The credit is based on qualified research payments exceeding 150% of the average for the three-year period prior to the effective date of the credit. The credit is limited to 50% of the tax otherwise due after all other credits. Further, the credit cannot reduce tax liability below the amount due the previous year after credits. The credit cannot be carried back, but can be carried forward for up to five years.